How an Organized Republican Effort Punishes Companies for Climate Action

Legislators and their allies are running an aggressive campaign that uses public money and the law to pressure businesses they say are pushing “woke” causes.


By David Gelles and Hiroko Tabuchi

May 27, 2022

In West Virginia, the state treasurer has pulled money from BlackRock, the world’s largest asset manager, because the Wall Street firm has flagged climate change as an economic risk.

In Texas, a new law bars the state’s retirement and investment funds from doing business with companies that the state comptroller says are boycotting fossil fuels. Conservative lawmakers in 15 other states are promoting similar legislation.

And officials in Utah and Idaho have assailed a major ratings agency for considering environmental risks and other factors, in addition to the balance sheet, when assessing states’ creditworthiness.

Across the country, Republican lawmakers and their allies have launched a campaign to try to rein in what they see as activist companies trying to reduce the greenhouse gases that are dangerously heating the planet.

“We’re an energy state, and energy accounts for hundreds of millions of dollars of tax revenue for us,” said Riley Moore, the West Virginia state treasurer. “All of our jobs come from coal and gas. I mean, this is who we are. This is part of our way of life here in the state. And they’re telling us that these industries are bad.”

“We have an existential threat here,” Mr. Moore said. “We have to fight back.”

In doing so, Mr. Moore and others have pushed climate change from the scientific realm into the political battles already raging over topics like voting rights, abortion and L.G.B.T.Q. issues. In recent months, conservatives have moved beyond tough words and used legislative and financial leverage to pressure the private sector to drop climate action and any other causes they label as “woke.”

“There is a coordinated effort to chill corporate engagement on these issues,” said Daniella Ballou-Aares, chief executive of the Leadership Now Project, a nonprofit organization that wants corporations to address threats to democracy. “And it is an effective campaign. Companies are starting to go into hiding.”

The pushback has been spearheaded by a group of Republican state officials that has reached out to financial organizations, facilitated media appearances and threatened to punish companies that, among other things, divest from fossil fuels.

They have worked alongside a nonprofit organization that has run television ads, dispatched roaming billboard trucks and rented out a Times Square billboard criticizing BlackRock for championing what they call woke causes, including environmentalism.

These efforts come after years during which many in the financial sector boasted that they were prioritizing environmental, social and governance issues, also known as ESG, rather than pure profits.

That activism has often put companies at odds with the Republican Party, traditionally the ally of big business. In 2015, Salesforce and other big employers threatened to leave Indiana after the state passed, and then quickly rolled back, a law that would have allowed businesses to refuse service to gay customers. Nike faced a fierce backlash for its 2018 ad featuring Colin Kaepernick, the former N.F.L. quarterback who knelt during the national anthem to protest racism and police brutality.

As the signs of a warming planet have grown more apparent over the past five years — in the form of more destructive storms and fires, record heat and drought — and as pressure has grown from consumers and liberal groups to take action, corporations have warmed to the notion of using capital and markets to create a cleaner economy. Faith-based groups, universities and foundations have divested from oil, gas and coal. New York State's pension fund plans to start shedding its fossil fuels holdings, and Maine became the first state last year to require both its Treasury and its public employee pension fund to divest from fossil fuels.

When President Trump declared in 2017 that he would pull the United States from the Paris climate accord, more than 2,000 businesses and investors — including Apple, Amazon and Mars — signed a pledge to continue to work toward climate goals.

Then, in 2019, a group of senior business leaders promised to redefine "the purpose of a corporation" and prioritize the environment, workers and communities.

And a record number of banks, investors and companies at the United Nations climate talks in Glasgow last year committed to reaching net zero (the point where their activities no longer add greenhouse gases to the atmosphere) by 2050. Several said they saw opportunity in investing in new kinds of technology needed to power an economy that is not based on oil, gas or coal.

Larry Fink, the chief executive of BlackRock, has been among the most outspoken executives, using his annual letter to corporate leaders to implore them to look beyond the bottom line and make a positive contribution to society.

Larry Fink, the head of BlackRock, in a TV appearance in March. "Every company and every industry will be transformed by the transition to a net-zero world," he has said. Roy Rochlin/Getty Images

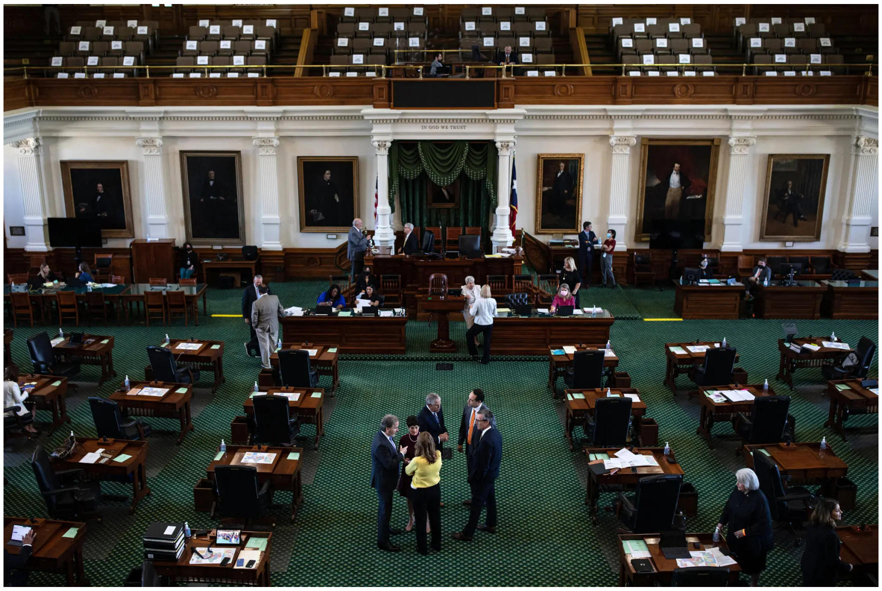
In his most recent letter, issued in January, Mr. Fink made the case for what he calls "stakeholder capitalism," saying there is a sound business rationale for taking up the fight against climate change and imploring other companies to act.

"Every company and every industry will be transformed by the transition to a net-zero world," Mr. Fink wrote. "The question is, will you lead, or will you be led?"

Other executives also say they are unbowed by the brewing conservative backlash.

"It's not going to stop me," said Marc Benioff, the co-founder and co-chief executive of Salesforce and one of the most outspoken business leaders on social and political issues. "It's pretty hard to restrict or control how a C.E.O. creates the culture of his company."

Mr. Benioff dismissed many of the actions of conservatives as theatrics. "Politicians have to do what politicians do, which is try to get elected," Mr. Benioff said. "It's a lot of posturing for the base."



The Texas legislature last year, which passed a bill that would block state agencies from doing business with financial firms that divest from fossil fuels. Tamir Kalifa/Getty Images

Republican lawmakers, however, are becoming more organized in their efforts to slow corporate progress on climate issues.

Mr. Moore, the West Virginia state treasurer, coordinated a letter in November from 16 state treasurers and comptrollers to banks across the country, threatening "collective action in response to the ongoing and growing economic boycott of traditional energy production industries by U.S. financial institutions."

"It is our sincere hope that no financial institution will be rendered ineligible to provide banking services to our states," the letter said.

And in January, Mr. Moore pulled about $20 million out of a fund managed by BlackRock because the firm has encouraged other companies to reduce emissions. BlackRock still manages several billion for West Virginia's state retirement system. "We're divesting from BlackRock because they're divesting from us," Mr. Moore said in an interview.

In private, elected officials in conservative states have been even more blunt.

"These big banks are virtue signaling because they are woke," Gary Howell, a West Virginia state representative who sponsored a bill that would blacklist companies that have divested from fossil fuels, wrote in a Feb. 8 email to Mr. Moore. The message was obtained by Documented, a corporate watchdog group, under a Freedom of Information Act request. "They either shut up or get on the list, that is my goal," he wrote.

Mr. Howell did not respond to a request for comment.

Idaho's top elected officials, including the governor and the entire congressional delegation, sent a letter last week to the chief executive of S&P Global, the ratings agency, objecting to the company's use of ESG metrics in its rankings of states. "It is impossible for the State of Idaho not to conclude that S&P has adopted a politicized ratings system," the Republicans wrote. Officials in other states, including Utah, have sent similar letters.

Curtis Loftis, the South Carolina state treasurer, emailed senior executives at JPMorgan on Sept. 1 and warned banks "to stay out of political culture wars and particularly abstain from the petty, 'woke' cancel culture."

Mr. Fink of BlackRock has emerged as a main target of conservatives. Last June, BlackRock joined with Vanguard and State Street to help an activist hedge fund, Engine No. 1, win three seats on the board of Exxon with the goal of pushing the energy giant to reduce its carbon footprint.

Months later, a nonprofit group called Consumers' Research received an influx of funding from undisclosed donors and began running ads attacking Mr. Fink.

Will Hild, executive director of Consumers' Research, told CPAC, the Conservative Political Action Conference, in February that Mr. Fink and BlackRock had "helped vote on three radical environmentalists to the board of directors of Exxon whose stated goal is to get that company not focused on serving American consumers affordable gas but on Larry Fink's personal politics."

BlackRock seemed to backtrack this month when it said it was likely to support fewer shareholder proposals calling for climate action. Hiroko Masuike/The New York Times

People familiar with BlackRock said the pressure was not changing the firm's investment strategy. But the company has scrambled to limit the fallout in states like Texas, stressing that it is following the wishes of its clients and investing broadly.

"We are perhaps the world's largest investor in fossil fuel companies, and, as a long-term investor in these companies, we want to see these companies succeed and prosper," BlackRock's head of external affairs, Dalia Blass, wrote in a letter to Texas regulators in January.

BlackRock, on behalf of its clients, had $259 billion in assets invested in fossil fuel companies around the world, with $91 billion invested in Texas fossil fuel companies alone, Ms. Blass stressed, listing BlackRock's sizable holdings in Texas energy companies, including Exxon Mobil, ConocoPhillips and Kinder Morgan.

BlackRock also this month said it would support fewer shareholder proposals calling for climate action because "we do not consider them to be consistent with our clients' long-term financial interests."

In a statement, BlackRock said it was "committed to engaging with all stakeholders to ensure they understand our investment decisions are driven by just one thing: our fiduciary duty to our clients."

Casey Harrell, a senior strategist at The Sunrise Project, a climate advocacy group, said "BlackRock is trying to have it all ways, acting like it is trying to please everyone."

The efforts appear to be having an impact beyond BlackRock, as well. At the annual meetings of big banks and oil companies — including BP, ConocoPhillips, and Citi — shareholders voted down climate proposals that would have slowed investments in fossil fuel projects.

As the stock markets sink and concerns about inflation grow, the pushback against environmental, social and governance concerns is spreading.

Elon Musk, the richest man in the world, waded into the debate. "ESG is a scam," he said on Twitter on this month. "It has been weaponized by phony social justice warriors." Shortly after that he shared a meme that declared an ESG score "determines how compliant your business is with the leftist agenda."

And last week, the global head of responsible investments for HSBC Asset Management, Stuart Kirk, made a provocative presentation titled "Why investors need not worry about climate risk" at a Financial Times event in London.

Describing climate risk as a problem in the far-off future, Mr. Kirk said, “Climate change is not a financial risk that we need to worry about,” adding, “Who cares if Miami is six meters underwater in 100 years?”

That view is at odds with the findings of the world’s leading climate scientists. A major United Nations report warned last month that the world could reach a threshold by the end of this decade beyond which the dangers of global warming — including worsening floods, droughts and wildfires — will grow considerably. In 2021, there were 20 weather or climate-related disasters in the United States that each cost more than $1 billion in losses, according to the federal government.

On social media, Mr. Kirk was celebrated by some and derided by others. Top executives at the bank said his words did not reflect HSBC’s position. The Financial Times reported that Mr. Kirk had been suspended, pending an internal investigation, something HSBC would not confirm. In a LinkedIn post, Noel Quinn, HSBC’s group chief executive, repeated the bank’s commitment to combating climate change.

“Our ambition is to be the leading bank supporting the global economy in the transition to net zero,” he said.